

## *Business and Finance*

### ➤ *Banks and Businesses*

Most businesses need to borrow money to finance (=pay for) **investments** (= things they need to buy in order to help the company, e.g. machines). The money they borrow from the bank is called a loan, and on this loan they have to pay **interest**, e.g. if you borrow £ 1,000 and the **interest rate** is 10 %, then you have to pay back £ 1,000 plus £ 100 in interest.

### ➤ *Businesses and profit*

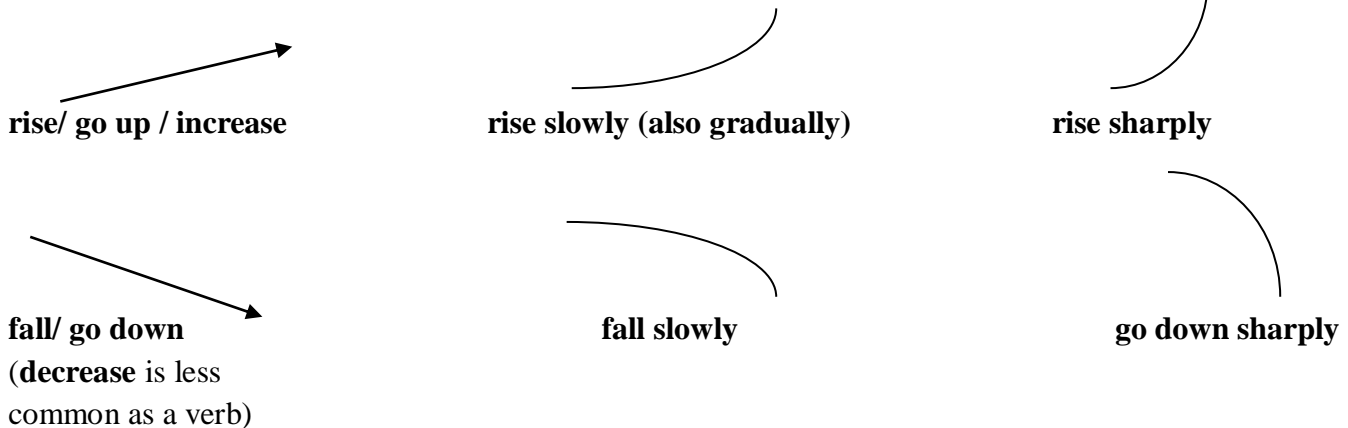
One of the main aims/ objectives (=the things that you hope to do/achieve) of a company is to make a **profit** (=earn/receive more money than it spends) ( $\neq$  make a loss). If a company does not make a profit or a loss, it breaks even.

Most companies are happy if they can break even in their first year of business.

companies receive money from selling their products - this money is called turnover. The money that they spend is called the expenditure. They spend money on these things raw materials (= materials in their natural state used to make something else, e.g. coal and oil are important raw materials used to make plastics); **labour** (= employees); overheads (= necessary costs for a company, e.g. rent for buildings, electricity, telephone).

### ➤ *Rise and Fall*

Business people often need to talk about the movement of sales, prices, interest rates, profit and loss, etc. Here are some of the words used to describe these trends (= movements):



**Note:** rise, increase, and fall are also used as nouns: a slow rise in interest rates, a steady increase in sales, a sharp fall in profits, a dramatic (= sharp) rise in inflation. We can also use be up/ down: prices are up by 10%; profits are down by £ 2m.

### ➤ *Businesses and the economy:*

In order to **grow/ expand** (= get bigger) and **thrive/ prosper** (= do well / be successful), many companies want or need the following. **low inflation**, so prices do not go up. **Low interest rates**, so the company can borrow money without paying a lot of interest .

**Economic and political stability** (= things remain steady and stable and there are no sudden changes in the economic and political situation).

a **healthy/ strong economy** (= in good condition), and not an economy in recession (= in a period of reduced and slow business activity).

**Tax cuts** (= tax reductions/ lower taxes), so they can keep more of their profit. This often depends on government expenditure, e.g. The government will not be able to reduce taxes if public expenditure continues to rise.

## Exercises

**67.1** What single word or phrase is being defined in each of these sentences?

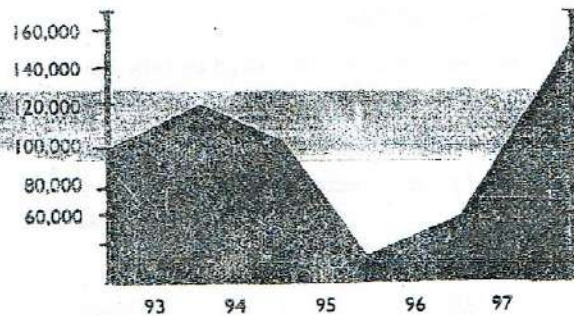
- 1 Money you borrow from a bank for your business.
- 2 What you must pay the bank if you borrow money.
- 3 The continuous increase in the price of things.
- 4 The things you hope to do/achieve within a period of time.
- 5 When a company does not make a profit or a loss.
- 6 When an economy is in a period of reduced and slow business activity.

**67.2** Replace the underlined word(s) in each sentence with another word that has the same meaning.

- 1 There has been a slow rise in sales.
- 2 This comes after a dramatic fall last year.
- 3 Fortunately the company is doing well now.
- 4 And it's growing very quickly.
- 5 This is one of their main objectives.
- 6 Profits have risen considerably.

**67.3** Look at the graph and complete the sentences on the left with one word for each gap.

- 1 In 1993 sales .....
- 2 In the following year they .....
- 3 In 1995 there was a ..... in sales.
- 4 In 1996 business improved and there was a .....
- 5 And in 1997 sales .....
- 6 In the five-year period sales ..... by 40,000.



**67.4** Fill the gaps to form compound words or common phrases.

- |                     |              |                    |
|---------------------|--------------|--------------------|
| 1 ..... expenditure | 3 tax .....  | 5 raw .....        |
| 2 ..... stability   | 4 ..... rate | 6 profit and ..... |

**67.5** Can you answer these questions about your own country?

- 1 What is the current inflation rate?
- 2 If you borrowed \$10,000 from your bank, what would the interest rate be approximately?
- 3 What is the state of the economy at the moment? Is it strong? Is it in recession?
- 4 Do you think businesses are optimistic about the future?
- 5 Has the government reduced company taxes or personal taxes in the last twelve months?
- 6 Has public expenditure risen or fallen in the last twelve months?